



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date **15 July 2020**

Title **FIRE PENSION BOARD STATUS REPORT & RISK REGISTER REVIEW**

Report of Chief Finance Officer

SUMMARY

1. This report provides an update on the development of key items.
2. This report, together with attachments, provides the framework for this meeting agenda.

STATUTORY REPORTING

3. The Accounting for Tax (AFT) for quarter 3 2019/20 and the Event reports for 2018/19 were submitted to HMRC on 23 January 2020 and paid on 24 January 2020. The table below shows the breakdown of the payments made.

Type of payment	Number of members	Tax year relates to	Amount paid
AFT – Annual Allowance	1	2017/18	£37,481
AFT – Annual Allowance	1	2018/19	£29,520
AFT – Life-Time Allowance	1	2019/20	£3,817
Event 1 – Unauthorised payments	17	2018/19	£103,543
Total paid to HMRC			£174,361

4. There were no payments due for the AFT for quarter 4 2019/20

RISK REVIEW

5. There are a number of items in pension administration and governance which contain elements of risk to varying degrees. Risks are captured through a variety of ways; some are on the risk register, while others are picked up as part of the regular horizon scanning that the Employer Pension Groups do.

RISK REGISTER

6. The board are asked to review the Risk Register and to suggest any amendments. The Risk Register can be found in APPENDIX A.

SARGEANT CASE

7. This is also known as the McCloud case; it relates to the age discrimination court case that was brought against the transitional protections for the 2015 Fire Pension Scheme.
8. An interim order was issued at the December 2019 hearing, and a statement was issued by HM Treasury on 25 March. The statement can be found in APPENDIX B. We understand from this that the initial proposals are to return members to their former final salary scheme for the 'remedy period', but to offer a choice to the member, including those that were deemed protected in the final salary scheme, to receive benefits based on the current 2015 CARE scheme if it is better to do so.
9. At this stage it is not clear when the end of the 'remedy period' will be, however it is not expected to be before 2022, as the current working assumption is that it will take three years to bring in these proposals.
10. As yet, we do not know when the member might make the choice. We understand that this could be either:
 - (a) At the end of the 'remedy period', this will be the same time right across public sector, or,
 - (b) At the members retirement age

Either option will bring its own challenges and communication with members will be key to aid their understanding of the choice they will have to make.

11. Before Covid-19 hit, we were expecting a consultation to come out in early summer which would go some way to explaining remedy and how to apply it. We are hoping that this will still come out before the hearing that is scheduled for July 2020, which we believe will legalise the interim order made in December 2019.

MATTHEWS CASE

12. This is also known as the O'Brien case; it relates to part time working and pensions. In essence, these cases had employment going back to the 1970's, but were only eligible to enter the pension schemes from 2000, when the Part Time Workers Directive came into force; however, the court determined that the whole of the employment should count for pension purposes and not just the period from 2000.

13. The Board may recall that the 2006 Modified Fire Pension Scheme allowed RDS members with employment between 1 July 2000 and 5 April 2006 to backdate their membership of the scheme.
14. The legislation was brought in retrospectively in 2014 and this was before the creation of the Local Pension Boards. The project was not managed particularly well. There was no national consistency and FRAs were very much left to their own devices to communicate with affected potential members.
15. Approximately 1,000 affected potential members were initially identified and written to with some explanations about the scheme and some examples of likely benefits.
16. For those that were interested, pay and rank data had to be retrieved from historical payroll information for each month of relevant employment. This enabled details to be sent to members of the arrears of contributions that they would need to pay. They then needed to complete an election form to join the scheme. Approximately 170 members returned an election form. Calculations were sent to these members giving details of their benefits.
17. This court case inevitably means that we will need to have a similar exercise as we did for the Modified Fire Pension Scheme, this will be a resource intensive project and retrieving the necessary data could prove challenging.
18. We will be in a better position than we were when we embarked on the Modified Fire Pension Scheme for three main reasons
 - (a) We have lessons learned from the Modified Fire Pension Scheme experience
 - (b) We have the Employer Pension Manager in post and the Employer Pension Groups
 - (c) We have Clair Alcock and Claire Hey and a great communication network so we can standardise forms / letters and communication
19. A consultation was expected in late spring, but that was before Covid-19 hit, so has been delayed. The consultation will help us to define the parameters of this work and to be able to start to identify the volume and scope of what will be required.

COVID-19

20. Hampshire IT Services have taken the decision to retain Citrix for a further year, this will allow even more staff to work from home and have full access to all systems while using their own computers.
21. Hampshire County Council has recently also made a decision to buy a lot more IT kit. This means that hybrids and laptops will be issued to all staff currently

using their own devices, along with peripherals (mouse, keyboard, monitor etc).

22. Hampshire Pension Services have in place a business continuity plan. They have approx. 90 staff members and around one third are currently responsible for processing benefits.
23. The workload has been prioritised and urgent cases such as death in service, death on pension as well as retirements are the focus. They are confident that they will be able to maintain the key priorities during this challenging time.
24. The Pensions Customer Support Team were only accepting urgent phone calls as there were a few staff answering calls on mobiles. The customer call centre has now been moved to Microsoft Teams, which means that more staff can now answer calls.

COMMUNICATION

25. Unfortunately, the pre-retirement courses scheduled on 23 March and 21 July have had to be cancelled because of Covid-19, so there have been no presentations since the last Board meeting.
26. The next pre-retirement course is scheduled for 23 November, these courses are always very popular and fully attended. The Board is requested to give any views about the running of this course if social distancing is still in place. For example, whether consideration should be given to running these online or virtually and whether anything can be provided before November, especially for those that had booked for the March and July courses.

MEETINGS

27. The Employer Pension Manager attended the Fire Technical Group meeting on 31 January 2020 and the South East Fire Regional Pension Officers Group meeting on 28 February. Since 5 May, she has also been attending fortnightly online coffee mornings for the Fire Technical Group.

MEMBER PORTAL

28. There has been a slight increase of those registered for the Member Portal from 23% to 27%.
29. Numbers of those registered are shown in the table below:

Pension online registration numbers as at 08/06/2020							
Number of actives per age range							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	12	52	111	69	28	1	273
Not registered	123	216	240	103	53	2	737
Total	135	268	351	172	81	3	1,010
Percentage of actives per age range							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	
Registered	9%	19%	32%	40%	35%	33%	
Not registered	91%	81%	68%	60%	65%	67%	
Total	100%	100%	100%	100%	100%	100%	
Percentage of all actives per age range							
HFRA FIRE	under 30	30-40	40-50	50-55	55-65	65+	Total
Registered	1%	5%	11%	7%	3%	0%	27%
Not registered	12%	21%	24%	10%	5%	0%	73%
Total	13%	26%	35%	17%	8%	0%	100%

30. There will be further communications about this when the Annual Benefit Statements are ready to be viewed online later in the summer.

PENSION BOARD MEMBERSHIP

31. Adverts were placed to recruit a new Scheme Representative Board member to replace Malcolm after his retirement.
32. Hampshire Pension Services send out pensioner newsletters annually and there was an article included within this. There was also an advert in routine Notice. The closing date for applications was set to 29 May 2020.
33. We have received two expressions of interest applications and therefore both candidates will be interviewed by a panel. This is in the process of being arranged and is expected to be held virtually. It is hoped that the new Board member appointment will be ratified in time to join the October Pension Board meeting.

PENSION BOARD TRAINING

34. Clair Alcock has been invited to attend the October Board meeting to provide some training for Board members.

ABATEMENT GUIDANCE

35. The LGA have pulled together some guidance on abatement which follows on from a session at the Fire AGM in 2019. Abatement will occur where there is a pension in payment from either the 1992 or 2006 scheme and there is a period of re-engagement in any capacity with any FRA.
36. Although in essence the principles of abatement are relatively straight forward in that, current pay, plus pension must not exceed final pay at date of leaving. Where the final pay is exceeded, then the annual pension that is in payment will be wholly or partially abated for the period of the re-engagement.
37. However, the technicalities of what is included within the pay figures and whether you use the final years average pensionable pay or simply the pay at date of leaving; combined with whether you are looking at whole time part time or retained contracts can make it more complex.
38. HFRA has had several abatement cases and several FRAs including Hampshire were sent the guidance in order to provide some feedback. It's hoped that the guidance will be of use to other FRAs and to provide some consistency about how to apply abatement.

TEMPORARY PROMOTION COSTINGS

39. The Board will recall how HFRA made a local decision regarding temporary promotions and their treatment for different cohorts of employees when we initially wrote to all affected members in August 2016.
40. Cohort 1 was made up of members that had already retired, and Cohort 2 was made up of members who had the potential of an earliest retirement date within three years of August 2016.
41. Members in cohorts 1 & 2 are protected members and as this was a local decision, any differences in their actual benefits (based on temporary promotion pay) v their legislative benefits (based on an Additional Pension Benefit (APB) and substantive pay) must be paid for by HFRA and not the Home Office.
42. An APB is calculated using the contributions paid on the additional pay received because of the temporary promotion and dividing it by a Government Actuary factor based on the members age. This provides an amount which is paid in addition to the normal annual pension.

43. The maximum cost envelope as agreed by HFRA of the estimated costs for the 41 protected members in cohorts 1 and 2 were £256,000 for lump sums and £35,700 a year for annual pensions.

Tax year	Number of retirements	Additional lump sums paid	Additional annual pension paid
2015/16	1	£22,491.88	£562.30
2016/17	5	£45,417.12	£7,406.19
2017/18	3	£22,788.87	£12,810.35
2018/19	5	£40,461.95	£16,285.51
2019/20	9	£46,969.02	£24,663.62
Total	23	£178,128.84	£24,663.62

44. The differences that have been paid out so far for the 23 members across both cohorts are broadly in line with the estimated figures prepared in 2016 and are all still within the maximum cost envelope.
- (a) Total of all lump sum differences paid are £178,128.84
 - (b) Annual pensions differences paid for 2019/20 are £24,663.62
45. Two members have retired so far in 2020/21; the remaining 16 members are still in employment and could retire at any point. There are a number of factors which could mean that the estimated figures might be exceeded
- (a) A different retirement date to the one used in the estimate
 - (b) Pay increases since 2016 to date of retirement
 - (c) A protected and unbroken period of temporary promotion which continues until date of retirement
 - (d) The increase in the commutation factors for the 1992 scheme that came into effect in October 2018.
46. Should we get close to exceeding the maximum cost envelope then further approval will need to be sought for additional funding.

COMBINED FIRE AUTHORITY (CFA)

47. Preparations for the CFA are continuing; IOW and Hampshire Pensions are actively progressing the transfer of pension data and files to Hampshire Pension Services. This will involve extracting data from IOW system with Heywood's and migrating it to the Hampshire system with Civica.
48. The tentative aim is to have the data in a test environment by the end of the year and to then run parallel updates and pension payrolls. As the IOW Fire pension data is for a relatively small number of members (364 in total) there is some scope for this timeframe to move a bit. The final plan has not yet been

drawn up. But there should be no issues for all data to be imported and ready for a “go live” from 1 April 2021.

49. A similar plan is being worked on by HR and HFRA to transfer the current employees payroll to the IBC Shared Services.
50. There is only one issues for Fire Pensions and that is to do with Temporary Promotions. IOW have made them not pensionable whereas HFRA has. A decision will therefore need to be made by the new CFA to determine whether from 1 April 2021, Temporary Promotions are pensionable or not. The new CFA will also need to decide what it will do about those that fall on the other side of that decision where they were in a Temporary Promotion on both 31 March and 1 April 2021.
51. The Board are asked for their views on whether the membership of the Fire Pension Board for the CFA will need to be extended. The Hampshire & IOW Fire Pension Board under the CFA could be increased by two; one Scheme Member representative and one Employer representative and both of these members could be appointed from the existing IOW contingent.

RECOMMENDATION

52. That the content of this report be noted by the Hampshire Fire Pension Board
53. That the Risk Register as set out in paragraphs 5-6 and APPENDIX A be approved by the Hampshire Fire Pension Board.
54. That the appropriate facilities for the pre-retirement courses as set out in paragraph 26 are endorsed by the Hampshire Fire Pension Board.

APPENDICES ATTACHED

55. APPENDIX A – Risk Register
56. APPENDIX B – [HM Treasury Statement HCWS187](#)

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk,
0370 779 2790